

Digest of State Office of Education Discretionary Funds

As requested by the Public Education Appropriations Subcommittee, we have completed a survey of discretionary fund balances and expenditures within the State Office of Education (SOE). Based on our limited review, we believe there is justification for the existence of these discretionary funds and conclude that they are being put to reasonable and appropriate use. Therefore, we do not see a need to conduct further work in this area.

In conducting this survey, we primarily reviewed non-lapsing balances in the Minimum School Program (MSP) which is financed by the Uniform School Fund (USF) and by local property tax revenues. The USF is the primary source of financing for public education, accounting for about 75% of the entire \$2 billion budget. The MSP is the core component of the public education system and it comprises all basic and special purpose programs for kindergarten, elementary, and secondary schools. It totals about \$1.6 billion and is by far the largest program in the public education budget.

Following are the two basic findings of our review:

- ◆ **Non-lapsing Balances in the Minimum School Program Are Used for Appropriate Educational Purposes.** Unused state appropriations remaining in the Minimum School Program at fiscal year end are subsequently used by the SOE for legitimate purposes. These non-lapsing balances average over \$17 million annually, but they only represent 1.5% of all state money allocated to the MSP. They are primarily a result of more revenues being collected at the local level than expected, which means less of the state money that has been appropriated is actually needed to make up the value of the weighted pupil unit. We do not see any problem with the use of this money since it goes toward education and since state law gives the Superintendent of Public Instruction the authority to transfer excess money within MSP programs. In fact, the majority of these non-lapsing balances (about 63%) have been returned to the Uniform School Fund for re-appropriation to public education. Following are some examples of how MSP carry forward money is being used:
 - **Property Tax Protests** - Balances are used to compensate school districts for revenues lost in property tax protests. Approximately 53% of disbursements to a sample of school districts were made for this purpose with individual payments ranging from \$174 to nearly \$1.7 million.
 - **School Construction Loan Fund** - \$8 million has been used in the past to support the school construction revolving loan fund which districts can use as a low-interest borrowing source for capital projects. However, this transfer of money is no longer done because the authority has been removed from education law.
 - **Legislatively Directed Uses** - In some years the Legislature has directed the SOE to

use leftover MSP money for specific purposes such as \$4 million to fund school district transportation needs and \$1.5 million for capital facilities.

- **Other Programs** - A relatively small amount of money becomes part of the carry-forward balance because it is not disbursed for the specific programs intended in a certain fiscal year. However, the money is simply disbursed in the next year as intended.

◆ **Other Discretionary Funds Outside of the Minimum School Program Are Also Used Appropriately.** Excess fund balances from within the SOE internal budget are used to fund various educational projects and needs as approved by the state superintendent. These non-lapsing fund balances result from unused portions of the \$100 million dollar SOE budget which is appropriated to administer educational programs and support services by the state office. These funds average over \$800,000 annually but are less than 1% of the SOE budget. Our review shows these balances are being used for education-related purposes such as:

- **Information Systems** - About \$68,000 is being used to develop a software system to track teacher certifications and other professional development information throughout the districts.
- **Educational Video and CD Development Costs** - Some \$65,000 is being used to produce and distribute educational communication materials on topics like appropriate teacher-student interactions, school trust lands awareness, and Utah history.
- **Personnel Costs** - About \$125,000 is being used to pay the salary and benefits for an SOE attorney and for a specialist to act as liaison between the SOE and rural school districts.
- **Training Expenses** - \$11,000 is being used to pay for staff training sessions covering topics such as cultural diversity and sexual harassment.